

Council on Postsecondary Education
January 30, 2006

University of Kentucky
Lease with e-Cavern, LLC

The following interim project recommendation will authorize the University of Kentucky to use federal funds appropriated by the Department of the Treasury to lease space owned by e-Cavern, LLC.

ACTION: The staff recommends that the Council approve the University of Kentucky request to enter into a lease with e-Cavern, LLC, as specified by the Department of the Treasury to conduct a research project related to secure, remote, financial transaction back-up storage systems with \$729,140 of federal funds.

The University of Kentucky proposes to enter into a lease with e-Cavern, LLC, of Louisville, Kentucky, as specified by the Department of the Treasury, Department of Financial Management, to provide 4,200 square feet of space to conduct a research project related to secure, remote, financial transaction back-up storage systems using \$729,140 of federal funds at a lease rate of \$173.60 per square foot. The average lease cost per square foot in the Louisville/Jefferson County area is \$16.50 per square foot. The University of Kentucky Board of Trustees approved the project at its October 25, 2005, meeting.

The Council has the statutory responsibility to review and approve postsecondary education capital lease projects costing \$200,000 or more, regardless of fund source, that have been approved by an institution's governing board. Since the estimated cost of this project exceeds the \$200,000 threshold, the Council and the Capital Projects and Bond Oversight Committee must approve the project before it is initiated. During the interim, when the General Assembly is not in session, capital projects are evaluated under the requirements established by KRS 45.760(14) and KRS 45.763.

This lease project was reviewed and approved by the Capital Projects and Bond Oversight Committee at its meeting December 13, 2005. The project will allow the university to provide services as specified by the Department of the Treasury. The estimated execution date for the lease project was October 1, 2005. The project requires interim authorization because the Department of the Treasury just recently approved the authorization and requested that the space be leased. The University of Kentucky states that funding for the project will come from a federal grant (\$729,140) for the purpose of entering into a lease. The project meets the requirements of KRS 45.760(14) that the source of funds is at least 50

percent federal or private. The university will not debt finance any portion of the project. The university's purchasing division will implement the project.

Following Council approval, the staff will notify the Capital Projects and Bond Oversight Committee.